



# PERSpectives



First Quarter 2006

Public Employee Retirement System of Idaho

## MEDICARE BENEFICIARIES: BEWARE OF PHONE SCAM

The Centers for Medicare and Medicaid Services (CMS) is warning seniors and people with disabilities to be aware of a scheme that asks Medicare beneficiaries for money and checking account information to help them enroll in a Medicare Prescription Drug Plan.

The scheme is called the "\$299 Ring" because that is typically the amount of money Medicare beneficiaries are talked into withdrawing from their checking accounts to pay for a nonexistent prescription drug plan. Consumers who believe they might be victims of this scam should contact their local law enforcement agencies or call toll-free 877-772-3379 to file a complaint.

Although no complaints have been received from Idaho, Medicare has received complaints from six other states including Indiana, Michigan, Pennsylvania, Massachusetts, New Jersey, and Georgia. Complaints have been made against a number of companies, but authorities believe the companies are the same and are typically based outside the United States. As soon as CMS receives a complaint, it is investigated and referred to federal law enforcement authorities.

Legitimate Medicare drug plans will not ask for payment over the telephone or the Internet. They must bill the beneficiary for the monthly premium. Typically, that amount is set up as an automatic withdrawal from the beneficiary's monthly Social Security check. Beneficiaries may also opt to pay the monthly premium in other ways such as writing a check or setting up automatic payments from their checking accounts.

People with Medicare should also remember to be on the lookout for anyone trying to take advantage of them, and take steps to protect themselves by remembering:

- No one can come into your home uninvited.
- No one can ask you for personal information during their marketing activities.
- Always keep all personal information such as your Medicare number safe, just as you would a credit card or bank account number.
- Whenever you have a question or concern about any activity regarding Medicare, call toll-free 800-633-4227 for assistance.

When PERSI learns of scams or schemes to defraud members or retirees, a notice is posted on the Web site at [www.persi.state.id.us](http://www.persi.state.id.us).

## REMAINING IN OR RETURNING TO THE WORKFORCE

### - a dilemma many retirees and soon-to-be retirees are facing -

Many current and soon-to-be retirees are deciding whether to remain in or return to the workforce. There are many issues to consider before making that decision.

laws may affect your retirement benefit if you return to work. As a PERSI retiree, you may work for any private-sector employer for as long as you want and for as many hours as you want without

### Working After Retirement and Collecting PERSI Benefits

The Internal Revenue Service (IRS) and Idaho state

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# Insights

## SENIORS ARE EXPLORING REVERSE MORTGAGES

A growing number of retirees are looking at the equity in their homes to finance their retirement. While the reverse mortgage is still a relatively unknown product, especially to elderly homeowners, it is gaining in popularity. For seniors age 62 or older who are cash poor, but house rich — meaning you have little or no savings or you don't want to touch the savings you do have, but have lots of equity in your home — a reverse mortgage might be worth exploring.

### What is a Reverse Mortgage?

A reverse mortgage allows seniors to pull out the equity in their homes in the form of a loan without selling or giving up title. This product is so appealing to seniors because the loan doesn't have to be repaid until the homeowner moves, sells, or passes away. When one of those events occurs, the loan is repaid and any remaining equity, if any, goes to the borrower if he/she is still living, otherwise it goes to the borrower's estate. Another feature of the reverse mortgage is the repayment amount cannot exceed the home's value.

The loan can be taken in several ways:

- As a line of credit
- As a lump-sum payment
- As a fixed monthly payment
- As a combination of the above

Because the money is paid in the form of a loan, it is not considered taxable income, so Social Security or Medicare benefits aren't affected.

### What's the Catch?

There are some restrictions to the reverse mortgage. For example, the amount of money you can borrow is determined by your age, current interest rate, appraised value of your home, and the mortgage limits for your area set by the Federal Housing Administration. You can find out the limits for your area by visiting the Housing and Urban Development Web site at [www.hud.gov](http://www.hud.gov). Click on the A-Z link at the top of the homepage, then scroll down to the *Mortgage Limits* link.

### Who's Applying for These Loans?

There are three categories of borrowers:

- Those who need to borrow money to supplement their income. These folks may be having difficulty getting by on their pension and Social Security alone, and have decided their home's equity can help ease their burden.
- Those who want the security of having emergency funds readily available. Whether it's home repairs or paying for unexpected medical or long-term care, using home equity is one option to cover such expenses.
- Those who are doing OK, but want more discretionary income. Retirees who want to travel, make a major purchase, or simply have fun are tapping the equity in their homes to do so.

Before borrowers can obtain a loan, they must get counseling from a HUD-approved counselor. To learn more about HUD-approved counselors, call toll-free 800-569-4287.

### Where Can I Get More Information?

AARP has set up a calculator on its Web site to help seniors get an estimate of what they might get in a reverse mortgage loan. AARP also offers a free booklet entitled "Home Made Money: A Consumer's Guide to Reverse Mortgages," which can be ordered by calling toll-free 800-209-8085. In addition, the Reverse Mortgage Lenders Association offers a booklet called "Just the FAQs: Answers to Common Questions About Reverse Mortgages." This can be ordered by calling toll-free 866-264-4466.

PERSI does not endorse reverse mortgage loans, and it certainly isn't for everyone, but it's an option that might be worthwhile for seniors to explore.

affecting your retirement benefits. HOWEVER, if you want to work for any employer belonging to PERSI, some restrictions apply:

- **90-Day Break in Service.** If you are an early retiree – younger than age 65 or 60 for police/PERSI firefighters – you must have at least a 90-day complete break in employment if you want to return to work for your last employer. (Although it is not required, PERSI recommends a 30-day break if you retire at age 65 or later, or age 60 for police or PERSI firefighters.) In addition, no promise of future employment can be made to you when you leave your job. The IRS has very strict definitions of breaks in service to ensure individuals do not receive benefit payments if they have what's considered continued employment. If you are an early retiree and return to the same employer within 90 days, any pension benefit payments received plus interest must be returned to PERSI. State employees should be aware that all agencies of the State of Idaho are considered one employer.

- **20-Hour Per Week/5 Consecutive Month Limit.** If you want to work for a PERSI employer and continue to receive your monthly pension payments some limitations apply. To avoid having your PERSI benefits affected you have two choices: 1) You must limit yourself to working less than 20 hours per week. No restrictions apply on the length of your employment, however. 2) You may work full-time without impacting your PERSI benefits as long as you work less than 5 consecutive months. There must be a complete break of employment for 30 days before and after the period of full-time employment. If you exceed these limits, your retirement payments must stop, and both employee and employer contributions must be paid to PERSI from the beginning date of reemployment. You must also pay back all benefit payments received after your reemployment date plus interest. This applies to all retirees regardless of age.

When employment ends, contributions stop and you may once again begin receiving your original pension benefits. A separate allowance based on your reemployment period will be added. If your reemployment ends up being less than 5 months, PERSI will return contributions to you, your employer will get a credit for that amount, and you will receive retroactive benefit payments covering the reemployment period.

## Working After Retirement Trends

Some people are opting for a phased retirement, an option that allows employees to work reduced hours for a period of time before taking a full retirement. Many workers have found this an easier way for them to transition from full-time employment to full-time retirement because the change isn't as abrupt.

Many baby boomers will not be retiring like workers of previous generations. The question is why? There are a number of reasons for the growing interest in late-life employment options:

- Labor and skill shortages are causing employers to seek out and retain valued older workers. With an aging population, baby boomers are now reaching conventional retirement age and preparing to leave the workforce, but there will not be as many younger workers ready to take their place.
- Policymakers seem to favor extending our work lives for a number reasons including keeping the Social Security system solvent by continuing worker contributions.
- Workers simply want or expect to work in retirement. Eighty percent of AARP members say they will work beyond the traditional retirement age, many because they simply don't have sufficient resources to maintain the lifestyle they hoped to have in retirement.

When older employees remain with their employers and can reduce the number of hours they work, there is a benefit to both sides. Employers benefit by keeping experienced, skilled workers who know the job and who are already integrated into the corporate culture, and by utilizing these seasoned workers to mentor and train new hires. Employees benefit because they can avoid a frustrating search for a new job that will allow them to work fewer hours, and because it eases their transition to full retirement. By all accounts, phased retirement can be a win-win situation.

## Returning to Work

Approximately 25 percent of retirees return to work after retiring. A study conducted by Rutgers

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University showed as many as 90 percent of working adults plan to work part-time after they retire.

Even those who planned well have found their retirement lifestyle isn't what they dreamed it would be. For some, money is the primary reason for "unretiring," for others it's the intellectual challenge, social interaction, and companionship. No matter the reason, there are many things to consider before going back into the workforce...how much money do you need, what impact will working have on your Social Security, what about the tax ramifications, and will returning to work affect your PERSI retirement benefits? Before making a decision, you should carefully consider all the financial and non-financial reasons for returning to work. Finally, you should be realistic about your expectations. A "later-in-life" job may or may not offer the same satisfaction as what you experienced in your career.

### Consider the Impact

Whether you decide to remain in the workforce or "unretire," you are making a major decision and need to understand the impact your decision will have on your finances, your lifestyle, and your PERSI benefits. If you have questions about working after retirement, call PERSI toll-free at 800-451-8228 or in the Boise area at 334-3365.



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